

## **IRS TAX TIP 2004-28**

### **TAX LAW CHANGES FOR BUSINESSES**

Taxpayers should make sure that they are aware of important changes to the tax law before they complete their 2003 federal income tax forms, advises the IRS. Some of these changes were part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Here are the major changes that affect tax years beginning in 2003:

#### **All Businesses, Including Self-Employed**

- The standard mileage rate for 2003 for business use of a vehicle is 36 cents per mile.
- There is a special first-year depreciation allowance of 50% for qualified property acquired after May 5, 2003 (except for property acquired under a binding written contract in effect before May 6, 2003). Instead of claiming the 50% allowance, taxpayers may elect to claim the 30% allowance or elect not to claim any special allowance. The depreciation limit for vehicles subject to the 50% allowance is increased to \$10,710 (\$11,000 for trucks and vans).
- The limit on the section 179 expense deduction is increased to \$100,000 for qualified property (\$135,000 for qualified zone property, qualified renewal property, or qualified New York Liberty Zone property). This limit is reduced by the amount by which the cost of section 179 property placed in service during the year exceeds \$400,000. Also, the definition of section 179 property has been expanded to include off-the-shelf computer software.

#### **Self-Employed**

- Self-employed individuals may be able to deduct 100 percent of their health insurance expenses.
- The self-employed must pay the Social Security part of self-employment taxes for maximum net self-employment earnings up to \$87,000.

For more information, go to the IRS Web site at [www.irs.gov](http://www.irs.gov). Also, see IRS Publication 334, "Tax Guide for Small Business." It includes a listing of some tax changes for 2003 returns, plus explanations of the changes. It also includes some of the changes for 2004. Publication 553, "Highlights of 2003 Tax Changes," includes tax changes for businesses as well as for individuals.

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